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SUBJECT: MFA DOWNPLAYS RESULTS OF PUTIN'S TRIP TO LIBYA

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Classified By: Acting Political M/C Robert Patterson for reasons 1.4 (b /d).

11. (C) Summary: The MFA told us that Putin's April 16-17 visit to Tripoli signified improved Russia-Libya relations while producing fewer concrete results than reported by the press. Russia and Libya signed memoranda of understanding for closer economic, energy and military cooperation, including the prospect for potential arms sales, but just one contract for Russian Railways to construct a \$3.5 billion rail line in Libya. The GOR agreed to cancel Libya's \$4.5 billion Soviet-era debt, but only on the condition that Libya purchase an equal amount of goods from Russia by 2020. The visit provided an opportunity for Putin's first meeting with al-Qadhafi in an atmosphere the MFA portrayed as cordial and positive. End summary.

Putin Visit to Help Economic Ties

12. (C) MFA Libya Desk officer Maxim Ganzey told us on April 23 that Putin's recent trip to Libya was intended to expand political and economic ties, but that the results were far more modest than portrayed in the press. He explained that from the political standpoint, Putin's trip was largely a symbolic and successful gesture intended to demonstrate to Libya the importance Russia placed on improved relations. The GOR hopes enhancing bilateral ties will expand opportunities for Russian business to tap into Libya's developing economy (reftel). The atmosphere during the visit was particularly cordial, with Putin having a private breakfast at al-Qadhafi's home. Putin reciprocated by inviting the Libyan leader to Moscow. Ganzey asked if Secretary Rice intended to visit Libya, saying such a visit

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would give a similar boost to U.S. companies hoping to do business there, according to the GOR reading of the "Libyan mentality."

13. (C) Ganzey explained that Russia had not canceled Libya's \$4.5 billion Soviet-era debt outright, but agreed to cancel the debt by 2020 on the condition that Libya purchased an equal amount of Russian goods. Russia insisted that these include non-military goods in addition to military hardware. According to Ganzey, Putin's trip hinged on the GOR reaching some kind of compromise with Libya on the debt issue, which had hampered efforts to improve bilateral cooperation for the past several years. Putin signed off on the debt-for-goods deal just eight days prior to departing for Tripoli.

One Contract and Several MOUs

14. (C) Ganzey confirmed that the one contract signed during the visit was for Russian Railways to construct a 310-mile railway between the Libyan cities Surt and Benghazi. The deal, worth \$3.5 billion, will be Russian Railways' largest overseas project. Ganzey said press reports of \$10 billion worth of deals were overblown and all other agreements were merely general memoranda of understanding to establish "closer cooperation" in various sectors. According to Ganzey, these included MOUs between Gazprom and the Libyan National Oil company, between a Dutch Gazprom subsidiary and the Libya-Africa Investment Fund (LAIF), and between a Russian producer of electrical power lines and LAIF. He implied an agreement on sharing "secret information" was to facilitate future arms sales. Ganzey said that a nuclear framework agreement had not been signed and was still under consideration by experts on both sides, adding that such an agreement would simply put Rosatom in a position to bid on potential nuclear-related contracts such as construction of a Libyan NPP.

Cornering the European Energy Market?

15. (C) Grigory Levchenko of Gazprom's International Business Department told us on April 23 that the visit was a "success" for Gazprom, whose chief, Alexey Miller, accompanied Putin to Tripoli. Both Levchenko and Ganzey pointed out, however, that no concrete oil and gas deals had been signed; only that Gazprom, which recently won the right to explore several fields in Libya, was interested in future tenders for exploration. Levchenko called the trip a "first step" toward greater Gazprom involvement in Libya.

16. (SBU) Analysts reacting to the apparent "success" of Putin's visit have speculated that improved Russian ties to North African energy producers such as Libya could help increase Russian influence in the European energy market. Others, however, downplayed Gazprom's ability to meaningfully

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alter long-standing European-North African energy routes and ties.
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